

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Lenox Township	County Macomb
Fiscal Year End June 30, 2006	Opinion Date October 16, 2006	Date Audit Report Submitted to State December 20, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

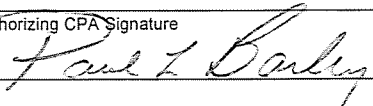
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple		Telephone Number (810) 984-3829		
Street Address 1979 Holland Avenue		City Port Huron	State MI	Zip 48060
Authorizing CPA Signature 		Printed Name Paul L. Bailey		License Number 1101014088

LENOX TOWNSHIP
Macomb County, Michigan

ANNUAL FINANCIAL STATEMENTS
with Supplementary Information

FOR THE YEAR ENDED
JUNE 30, 2006

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS



LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Township Board
Lenox Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lenox Township, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements of the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lenox Township's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component unit's financial statements of the Lenox Township Library. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion on the basic financial statements insofar as it relates to the Lenox Township Library, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lenox Township, Michigan, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2006 on our consideration of the Lenox Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7, and schedules of budgetary comparisons on pages 36 through 39 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lenox Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

October 16, 2006

OVERVIEW OF THE FINANCIAL STATEMENTS

Lenox Township's 2006 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, defined as the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

Governmental activities – most of the Township's basic services are included here, such as the police, fire, public works, and general administration. Property taxes, state-shared revenue, and charges for services provide most of the funding.

Business-type activities – the Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system is treated as a business-type activity.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds; not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

Governmental funds - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

Fiduciary Funds – The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township’s fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township’s government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL OVERVIEW (Government-wide financial analysis)

The Township has combined total net assets of \$19.6 million. This is an increase of \$3.4 million over 2005. Government-type activities comprise \$15.2 million, and business-type activities make up \$4.4 million of the total net assets. In a condensed format, the table below shows net assets as of the June 30, 2006 and 2005.

In Thousands

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Assets				
Current assets	\$ 10,134	\$ 7,255	\$ 174	\$ 160
Restricted assets	-	-	728	699
Noncurrent assets	5,226	4,933	4,558	4,425
Total assets	<u>15,360</u>	<u>12,188</u>	<u>5,460</u>	<u>5,284</u>
Liabilities				
Current liabilities	190	119	113	26
Long-term liabilities	-	-	915	1,140
Total liabilities	<u>190</u>	<u>119</u>	<u>1,028</u>	<u>1,166</u>
Net Assets				
Invested in capital assets –				
Net of related debt	4,088	3,908	3,643	3,263
Restricted	1,145	1,047	728	699
Unrestricted	<u>9,937</u>	<u>7,114</u>	<u>61</u>	<u>156</u>
Total net assets	<u>\$ 15,170</u>	<u>\$ 12,069</u>	<u>\$ 4,432</u>	<u>\$ 4,118</u>

The Township governmental activities experienced a net change in assets of \$3,101,608. The main reason is a result of receiving \$3,588,391 of landfill tipping fees from Pine Tree Acres. The business-type activities experienced a net change in assets of \$314,369 partly due to a transfer from other funds of \$205,812.

The following table shows the changes in net assets for 2006 and 2005:

In Thousands

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Revenue				
Program revenue:				
Charges for services	\$ 221	\$ 258	\$ 610	\$ 599
Operating grants and contributions	46	106	-	-
Capital grants and contributions	121	-	126	-
General revenue:				
Property taxes	966	903	-	-
State-shared revenue	323	317	-	-
Unrestricted investment earnings	257	73	30	15
Franchise fees and other	61	30	-	-
Landfill tipping fees	3,588	3,361	-	-
Gain on sale/retirement of assets	-	-	17	-
Total Revenue	<u>5,583</u>	<u>5,048</u>	<u>783</u>	<u>614</u>
Program Expenses				
General government	650	688	-	-
Public safety	1,005	990	-	-
Public works	515	194	-	-
Health and welfare	32	42	-	-
Recreation and cultural	74	8	-	-
Water and sewer	-	-	675	720
Total Program Expenses	<u>2,276</u>	<u>1,922</u>	<u>675</u>	<u>720</u>
Changes in net assets before transfers	3,307	3,126	108	(106)
Transfers	(206)	(150)	206	150
Changes in net assets	<u>\$ 3,101</u>	<u>\$ 2,976</u>	<u>\$ 314</u>	<u>\$ 44</u>

Governmental Activities

Revenues for governmental activities totaled \$5.6 million in 2006. Of this amount \$3.6 million was received for landfill tipping fees, an increase of \$227,114 over 2005. The next largest revenue sources were from property tax collections of \$1 million, which was a 7.0% increase from the prior year and state shared revenue of \$.3 million, which remained fairly consistent between the years.

Business-type Activities

The Township has one business-type activity, the water and sewer operations. Total revenues including a transfer from the General Fund of \$205,812 and capital contributions of \$125,782 were \$988,838, and expenses were \$674,469 for a change in net assets of \$314,369.

The water and sewer operation consists of the following: water is provided to the Township residents via the Detroit Water and Sewer Department. Sewage treatment is provided by contracts with the Detroit Water and Sewer Department and Macomb County.

FINANCIAL ANALYSIS OF MAJOR TOWNSHIP FUNDS AND BUDGETS

Governmental Funds

The General Fund ended 2006 with a fund balance of \$2.6 million, with \$1.2 reserved for advances to other funds and prepaid expenses and \$1.4 million designated for specific projects. This is a decrease of \$1,120,692 from the prior year mainly as a result of transferring \$1,027,466 to set up the new PTA Revenue Fund. The transfer was not included in the Township's budget.

The Township other major governmental funds had the following revenues over (under) expenditures as follows:

- The Road Fund had expenditures over revenues of \$158,522. The original budget estimated a surplus of \$70,000 and the final budget estimated a loss of \$146,366.
- The Fire Fund had revenues over expenditures of \$253,235. The original budget estimated \$205,500 and the final budget \$264,244.
- The PTA (Pine Tree Acres) Fund had revenues over expenditures of \$3,118,748. The original and final budgets estimated \$2,151,277.

The budgets were amended throughout the year as deemed necessary, primarily to prevent over expenditure. The following significant amendments were made during the year.

General Fund -

- General services expenditures were increased from \$219,000 to \$399,240 as a result of an increased site plan review by the planner and the engineering firm.
- A budget was added for the Township Park upkeep and purchase of a sign for \$27,415.

Other Funds -

- Tax revenue in the Road Fund was adjusted by a \$248,300 decrease due to an error in the original budget.
- The Township Fire fund received \$128,755 more than budgeted, primarily as a result of a federal grant for the purchase of breathing equipment. Expenditures for the Fire Fund were \$79,866 more than budgeted because of the same purchase.
- The PTA Fund spent \$662,606 less than budgeted primarily due to the new Township Hall not being as far along in the construction phase as anticipated. The transfer in is for the establishment of this new fund, and the transfer out represents costs for the North Gratiot/New Haven Interceptor still under construction.

Proprietary Fund

As indicated earlier the Township only has one proprietary fund, the water and sewer operation. Total revenues including a transfer from the General Fund of \$205,812 and capital contributions of \$125,782 were \$988,838 and expenses were \$674,469 for an increase in net assets of \$314,369.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township had \$9.8 million dollars invested in capital assets for its government and business-type activities (net of accumulated depreciation) as of June 30, 2006, excluding component units. The investment in capital assets includes land, land improvements, buildings, machinery and equipment, vehicles and water and sewer lines.

During the year the Township added \$796,048 of capital assets, \$391,179 in the governmental activities and \$404,869 in the business-type activities.

Of the \$391,179 purchased in the government-type activities \$116,940 was for air packs for the fire department, and \$243,127 was for construction on the Township Hall. The \$404,869 in the business-type activities was construction of the North Gratiot/New Haven Sanitary Sewer, a water main at Gratiot and 27 ½ Mile, purchase of a dump truck and a pickup.

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Land	\$ 1,241,173	\$ 1,241,173	\$ -	\$ -
Land improvements	1,469,764	1,457,479	-	-
Building	1,553,120	1,553,120	190,139	190,139
Equipment	559,596	496,629	120,578	67,888
Vehicles	818,860	846,982	-	-
Water and sewer	-	-	5,860,365	5,755,953
Construction in progress	<u>252,576</u>	<u>9,449</u>	<u>969,638</u>	<u>749,993</u>
	5,895,089	5,604,832	7,140,720	6,763,973
Accumulated depreciation	(1,807,177)	(1,697,265)	(1,445,064)	(1,335,109)
	<u>\$ 4,087,912</u>	<u>\$ 3,907,567</u>	<u>\$ 5,695,656</u>	<u>\$ 5,428,864</u>

The Township is currently undergoing construction of a new Township Hall and improvements to the North Gratiot/New Haven Sanitary Sewer. Commitments related to these projects at June 30, 2006 can be found in Note 11.

Additional information on the Township's capital assets can be found in Note 4.

Long-Term Debt

At June 30, 2006 the Township's business-type activities had debt outstanding of \$915,000, a decrease of \$225,000 from the prior year. This debt is related to the construction of the water supply system.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

State Shared Revenue is expected to stay at previous levels. The new Township Hall will be completed and paid for by previously set aside funds. No borrowed funds are needed. The Gratiot Sewer project (bonded through the County) and the new Meijer store will be in operation by the end of this fiscal year. Proprietary Funds will have additional revenue of about \$125,000 from the Meijer project.

CONTACTING THE TOWNSHIP

This financial report is designed to provide a general overview of the Township's finances to our residents and other interested parties in understanding the Township's financial condition. If you have questions about this report or need additional financial information, please contact the Township at (586) 727-2085.

Separately issued financial statements of the Lenox Township Library, a component unit of the Township, may be obtained by contacting the Library at 58976 Main Street, New Haven, Michigan 48048.

BASIC FINANCIAL STATEMENTS

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF NET ASSETS
JUNE 30, 2006

	Primary Government			Component
	Governmental	Business Type	Total	Unit
	Activities	Activities		Library
ASSETS:				
Cash and cash equivalents	\$ 6,612,757	\$ 79,290	\$ 6,692,047	\$ 523,455
Investments	3,144,624	-	3,144,624	100,000
Receivables	174,692	111,147	285,839	3,881
Due from other governmental units	124,764	-	124,764	14,627
Internal Balances	54,775	(54,775)	-	-
Prepaid expenses	22,667	21,915	44,582	11,092
Advance to (from) other funds	1,137,605	(1,137,605)	-	-
Restricted Assets -				
Deposits with County	-	728,023	728,023	-
Deferred Charges	-	16,182	16,182	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	1,493,749	969,638	2,463,387	-
Assets being depreciated	2,594,163	4,726,018	7,320,181	188,413
Total Assets	<u>15,359,796</u>	<u>5,459,833</u>	<u>20,819,629</u>	<u>841,468</u>
LIABILITIES:				
Payables and accrued liabilities	175,018	104,722	279,740	4,438
Unearned revenue	14,656	-	14,656	1,354
Liabilities payable from restricted assets	-	7,742	7,742	-
Non-current liabilities				
Due within one year	-	235,000	235,000	-
Due in more than one year	-	680,000	680,000	-
Total Liabilities	<u>189,674</u>	<u>1,027,464</u>	<u>1,217,138</u>	<u>5,792</u>
NET ASSETS:				
Invested in capital assets, net of related liabilities	4,087,912	3,635,309	7,723,221	188,413
Net assets				
Restricted -				
Acquisition/construction of capital assets	-	728,023	728,023	-
Debt	45,460	-	45,460	-
Fire Operations	792,208	-	792,208	-
Road Activity	297,395	-	297,395	-
Other	10,163	-	10,163	-
Unrestricted	<u>9,936,984</u>	<u>69,037</u>	<u>10,006,021</u>	<u>647,263</u>
Total Net Assets	<u>\$ 15,170,122</u>	<u>\$ 4,432,369</u>	<u>\$ 19,602,491</u>	<u>\$ 835,676</u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General Government	\$ 649,583	\$ 48,651	\$ -	\$ -
Public Safety	1,004,722	171,182	38,918	121,375
Public Works	514,988	-	-	-
Health and Welfare	31,574	-	6,745	-
Recreation and Culture	74,551	1,275	-	-
Total governmental activities	<u>2,275,418</u>	<u>221,108</u>	<u>45,663</u>	<u>121,375</u>
Business type activities:				
Water Supply and Sewage Disposal System	<u>674,469</u>	<u>609,927</u>	<u>-</u>	<u>125,782</u>
Total Primary Government	<u><u>2,949,887</u></u>	<u><u>831,035</u></u>	<u><u>45,663</u></u>	<u><u>247,157</u></u>
Component Unit				
Township Library	<u><u>246,041</u></u>	<u><u>6,287</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
General revenues:				
Property taxes				
Grants and contribution not				
restricted to specific programs				
- State Shared revenue				
- Franchise fees				
- Pine Tree Acres - excess tipping				
- Other				
Unrestricted investment income				
Gain on sale/retirement of capital assets				
Transfers in (out)				
Total general revenues and transfers				
Change in net assets				
Net assets at beginning of year				
Net assets at end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets			
Primary Government			Component
Governmental	Business Type		Units
Activities	Activities	Total	Library
\$(600,932)	\$ -	\$(600,932)	\$ -
(673,247)	-	(673,247)	-
(514,988)	-	(514,988)	-
(24,829)	-	(24,829)	-
(73,276)	-	(73,276)	-
(1,887,272)	-	(1,887,272)	-
-	61,240	61,240	-
(1,887,272)	61,240	(1,826,032)	-
-	-	-	(239,754)
965,790	-	965,790	321,338
323,381	-	323,381	20,771
29,892	-	29,892	-
3,588,391	-	3,588,391	-
30,776	-	30,776	5,415
256,462	29,993	286,455	19,015
-	17,324	17,324	-
(205,812)	205,812	-	-
4,988,880	253,129	5,242,009	366,539
3,101,608	314,369	3,415,977	126,785
12,068,514	4,118,000	16,186,514	708,891
<u>\$ 15,170,122</u>	<u>\$ 4,432,369</u>	<u>\$ 19,602,491</u>	<u>\$ 835,676</u>

LENOX TOWNSHIP
Macomb County, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Road Fund	Fire Fund	PTA Revenue Fund
ASSETS				
Cash and cash equivalents	\$ 857,013	\$ 316,287	\$ 1,005,920	\$ 4,423,556
Investments	-	-	-	3,099,401
Receivables -				
Interest and accounts	12,635	-	3,600	156,302
Due from other governmental units -				
Federal/State	106,326	-	-	-
Local	18,438	-	-	-
Prepaid expenditures	1,861	-	20,806	-
Due from other funds	558,873	117	-	-
Advances to other funds	1,196,255	-	-	-
	<u>2,751,401</u>	<u>316,404</u>	<u>1,030,326</u>	<u>7,679,259</u>
Total Assets	<u>\$ 2,751,401</u>	<u>\$ 316,404</u>	<u>\$ 1,030,326</u>	<u>\$ 7,679,259</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 53,839	\$ 19,009	\$ 8,865	\$ 23,316
Accrued wages	37,853	-	32,136	-
Due to other funds	10,280	-	138,467	363,713
Advances from other funds	-	-	58,650	-
Deferred revenue	14,656	-	-	-
	<u>116,628</u>	<u>19,009</u>	<u>238,118</u>	<u>387,029</u>
Total Liabilities	<u>116,628</u>	<u>19,009</u>	<u>238,118</u>	<u>387,029</u>
Fund Balances:				
Reserved -	1,198,116	-	20,806	-
Unreserved -				
Designated	-	-	-	5,850,000
Undesignated -				
General Fund	1,436,657	-	-	-
Special Revenue Funds	-	297,395	771,402	1,442,230
Total Equity	<u>2,634,773</u>	<u>297,395</u>	<u>792,208</u>	<u>7,292,230</u>
Total Liabilities and Fund Equity	<u>\$ 2,751,401</u>	<u>\$ 316,404</u>	<u>\$ 1,030,326</u>	<u>\$ 7,679,259</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 9,981	\$ 6,612,757
45,223	3,144,624
237	172,774
-	106,326
-	18,438
-	22,667
10,163	569,153
-	1,196,255
<u>\$ 65,604</u>	<u>\$ 11,842,994</u>

\$ -	\$ 105,029
-	69,989
-	512,460
-	58,650
-	14,656
<u>-</u>	<u>760,784</u>

45,460	1,264,382
-	5,850,000
-	1,436,657
20,144	2,531,171
<u>65,604</u>	<u>11,082,210</u>
<u>\$ 65,604</u>	<u>\$ 11,842,994</u>

LENOX TOWNSHIP
Macomb County, Michigan

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

Fund Balances - total governmental funds	\$ 11,082,210
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	5,895,089
Accumulated depreciation	<u>(1,807,177)</u>
Net Assets of governmental activities	<u><u>\$ 15,170,122</u></u>

The notes to the financial statements are an integral part of this statement.

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General	Road Fund	Fire Fund	PTA Revenue Fund
Revenues:				
Taxes	\$ 333,573	\$ 140,486	\$ 491,731	\$ -
Licenses and permits	131,670	-	-	-
Intergovernmental	397,835	-	121,375	-
Charges for services	25,243	-	-	-
Fines and forfeits	30,776	-	-	-
Interest and rent	94,500	12,067	25,221	122,751
Other	35,134	-	19,172	3,588,391
Total Revenues	<u>1,048,731</u>	<u>152,553</u>	<u>657,499</u>	<u>3,711,142</u>
Expenditures:				
Current -				
General Government	628,476	-	-	229,827
Public Safety	448,365	-	414,366	179,005
Public Works	2,931	311,075	-	183,562
Health and Welfare	31,574	-	-	-
Recreation and Cultural	30,611	-	-	-
Total Expenditures	<u>1,141,957</u>	<u>311,075</u>	<u>414,366</u>	<u>592,394</u>
Revenues over (under) expenditures	<u>(93,226)</u>	<u>(158,522)</u>	<u>243,133</u>	<u>3,118,748</u>
Other Financing Sources (Uses):				
Proceeds from sale of equipment	-	-	10,102	-
Transfers in	-	-	-	1,027,466
Transfers out	<u>(1,027,466)</u>	<u>-</u>	<u>-</u>	<u>(205,812)</u>
Total Financing Sources (Uses)	<u>(1,027,466)</u>	<u>-</u>	<u>10,102</u>	<u>821,654</u>
Net Change in Fund Balances	<u>(1,120,692)</u>	<u>(158,522)</u>	<u>253,235</u>	<u>3,940,402</u>
Fund Balances at beginning of year	<u>3,755,465</u>	<u>455,917</u>	<u>538,973</u>	<u>3,351,828</u>
Fund Balances at end of year	<u>\$ 2,634,773</u>	<u>\$ 297,395</u>	<u>\$ 792,208</u>	<u>\$ 7,292,230</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Fund	Total Governmental Funds
\$ -	\$ 965,790
-	131,670
1,650	520,860
9,340	34,583
-	30,776
1,923	256,462
-	3,642,697
<u>12,913</u>	<u>5,582,838</u>

-	858,303
6,073	1,047,809
-	497,568
-	31,574
-	30,611
<u>6,073</u>	<u>2,465,865</u>
<u>6,840</u>	<u>3,116,973</u>

-	10,102
-	1,027,466
-	(1,233,278)
<u>-</u>	<u>(195,710)</u>

6,840	2,921,263
<u>58,764</u>	<u>8,160,947</u>
<u>\$ 65,604</u>	<u>\$ 11,082,210</u>

LENOX TOWNSHIP
Macomb County, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2006**

Net change in fund balances - total governmental funds	\$ 2,921,263
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	391,179
Depreciation expense	(191,697)
Loss on sale/disposal of assets	<u>(19,137)</u>
Change in net assets of governmental activities	<u><u>\$ 3,101,608</u></u>

The notes to the financial statements are an integral part of this statement.

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	Water Supply & Sewage Disposal System
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 79,290
Accounts receivable -	
Water and sewer billing	65,762
Tap Fees	45,385
Prepaid expenses	21,915
Total Current Assets	<u>212,352</u>
Restricted Assets:	
Deposits with County	<u>728,023</u>
Capital Assets:	
Property, plant and equipment	
net of accumulated depreciation	<u>5,695,656</u>
Other Assets:	
Deferred bond issuance costs (net of amortization)	<u>16,182</u>
Total Assets	<u>6,652,213</u>
LIABILITIES:	
Current Liabilities:	
Accounts payable	68,247
Due to other governmental units	31,860
Accrued liabilities	4,615
Due to other funds	54,775
Total Current Liabilities	<u>159,497</u>
Current Liabilities - Payable From Restricted Assets:	
Bonds payable (current portion)	235,000
Accrued interest	7,742
Total Liabilities Payable From Restricted Assets	<u>242,742</u>
Long-Term Liabilities (less current portions):	
Advance from general fund	1,137,605
Bonds payable - less current portion	680,000
Total Long-Term Liabilities	<u>1,817,605</u>
Total Liabilities	<u>2,219,844</u>
NET ASSETS:	
Invested in capital assets, net	3,635,309
Restricted	728,023
Unrestricted	69,037
Total Net Assets	<u>\$ 4,432,369</u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	Water Supply & Sewage Disposal System
Operating Revenues:	
User charges	\$ 583,123
Miscellaneous	6,618
Total Operating Revenues	<u>589,741</u>
Operating Expenses:	
Salaries and wages	43,786
Fringe benefits	18,756
Engineering	15,466
Water and sewer charges	347,835
Supplies	9,329
Repairs and maintenance	5,919
Insurance	17,114
Training	363
Contractual services	2,877
Utilities	12,288
Depreciation	138,077
Other	2,371
Total Operating Expenses	<u>614,181</u>
Operating Loss	(24,440)
Non-Operating Revenues (Expenses):	
System development fees	20,186
Gain on sale/retirement of equipment	17,324
Interest income	29,993
Amortization of bond issuance costs	(5,704)
Interest expense	(54,584)
Total Non-Operating Revenues (Expenses)	<u>7,215</u>
Net Loss Before Transfers and Contributions	(17,225)
Capital Contributions	125,782
Transfers in	<u>205,812</u>
Change in Net Assets	314,369
Net Assets at beginning of year	<u>4,118,000</u>
Net Assets end of year	<u><u>\$ 4,432,369</u></u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
JUNE 30, 2006

	Water Supply & Sewage Disposal System
Cash Flows From Operating Activities:	
Cash receipts from customers	\$ 572,778
Cash payments to suppliers	(355,918)
Cash payments to employees	(43,241)
Net Cash Provided by Operating Activities	<u>173,619</u>
Cash Flows From Noncapital Financing Activities:	
Transfer in	205,812
Net Cash Provided by Noncapital Financing Activities	<u>205,812</u>
Cash Flows From Capital and Related Financing Activities:	
Advances/due to other funds	65,754
Proceeds from system development fees	29,888
Acquisition and construction of capital assets	(279,087)
Proceeds received on retirement of equipment	17,324
Payment of interest and agent fees	(56,424)
Payment of long-term debt	(225,000)
Net Cash Used by Capital and Related Financing Activities	<u>(447,545)</u>
Cash Flows From Investing Activities:	
Interest earned	29,993
Change in Deposits with County	(29,029)
Net Cash Provided by Investing Activities	<u>964</u>
Net Decrease in Cash and Cash Equivalents	(67,150)
Cash and Cash Equivalents at Beginning of Year	<u>146,440</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 79,290</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss for the year	\$(24,440)
Adjustments to reconcile operating loss to net cash provided by operating activities -	
Depreciation	138,077
Change in assets and liabilities-	
Receivable	(16,963)
Prepays	(11,706)
Accounts payable	88,106
Accrued liabilities	545
Net Cash Provided By Operating Activities	<u><u>\$ 173,619</u></u>
Non-Cash Capital and Related Financing Activities:	
Capital contributions received for utility system improvements	<u><u>\$ 125,782</u></u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

	<u>Agency Fund</u>
ASSETS:	
Cash and cash equivalents	<u>\$ 174,568</u>
 LIABILITIES:	
Due to other funds	\$ 1,918
Due to individuals and agencies	<u>172,650</u>
	<u>\$ 174,568</u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

The accounting methods and procedures adopted by Lenox Township, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following Notes to the Financial Statements are an integral part of the Township's Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity –

The Township of Lenox, a municipal corporation, was organized as a Township in 1837, and operates under the provisions of the constitution and general law of the State of Michigan. The Township is one of twelve (12) Townships in Macomb County and covers an area of approximately 26 square miles. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer and two Trustees, and provides services to its more than 5,000 residents in many areas including police, fire protection and roads.

These financial statements presented the Township and the component units, entities for which the township is considered to be financially accountable. Discretely presented component units are reported on a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township.

Discretely Presented Component Unit - The component unit column in the combined statement includes the financial data of the Lenox Township Library. The Library operates under the authority of PA 164 of the Michigan Public Acts of 1877. The entity has an independent Board that is elected by the residents of Lenox Township and the Village of New Haven. A majority of the Library revenues is from property taxes collected from the residents of Lenox Township.

The financial statements of the Lenox Township Library are audited separately and may be obtained from the Lenox Township Library at the following address:

Lenox Township Library
58976 Main Street
New Haven, MI 48048

B. Government-wide and fund financial statements –

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes which are levied on July 1, and due on August 31, are recognized as revenue in the year due. All other revenue items are considered to be measurable and available only when cash is received by the Township.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

The Township reports the following major governmental funds:

General Fund – is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Road Fund – is a special revenue used to account for taxes restricted for road maintenance and improvements.

Fire Fund – is a special revenue fund used to account for taxes and other related revenues restricted for fire service of the Township.

PTA (Pine Tree Acres) Revenue Fund – is a special revenue fund used to account for tipping fees, revenues and the related expenditures.

The Township reports the following major proprietary funds:

Water & Sewage Disposal System – is used to account for the treatment and distribution of water and sanitary sewer services to residential and commercial users.

Additionally, the Township reports the following fund types –

Special Revenue Funds – are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulation provisions or administrative actions.

Debt Service Fund – is used to account for accumulation of resources for and the payment of, general long-term debt principal, interest and related costs.

Agency Fund – is used to account for assets held by the Township as an agent for other governments and other funds.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise Fund are charges to customers for sale and services. Operating expenses from the Enterprise Fund include costs of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, the unrestricted resources, as they are needed.

D. Assets, Liabilities and Net Assets or Equity –

Deposits and Investments –

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition. The investment trusts have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments consist of certificates of deposit with a maturity of more than ninety days from the date of requisition, which is recorded at "fair value". For the purpose of the Statement of Cash Flows presented for the Proprietary Fund Type, the Township considers all highly liquid investments (including restricted assets) with original maturities of ninety days or less to be cash equivalents.

Receivables and Payables –

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property the receivables are shown net of an allowance for uncollectible.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Prepaid Items –

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Property Tax Calendar –

The Township's property tax is levied in December on the assessed valuation of property located in the Township as of the preceding December 31 and is treated as revenue in the current fiscal year. The Township also collects taxes for the County, Intermediate School District, Community College and Local School District. Collections of all taxes other than Township taxes and the remittance of them are accounted for in the Tax Collection Fund.

Capital Assets –

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Township has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to July 1, 2003.

Property, plant, and equipment of the primary government, as well as the component unit, is depreciated using the straight line method over the following estimated useful lives:

	<u>Primary Government</u>	<u>Component Unit</u>
Buildings and improvements	10-50	15-40
Utility systems	5-50	-
Machinery and equipment	5-10	7
Vehicles	8-15	-
Library books and materials	-	7

Compensated Absences –

The Township does not allow employees to accumulate vacation and sick time from year to year.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Long-Term Obligations –

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity–

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates –

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

The Township Supervisor prepares and submits the proposed operating budgets for the fiscal year commencing July 1. The budgets include proposed expenditures and resources to finance them.

Prior to June 30, the proposed budget is presented to the Township Board. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Township Resolution. After the budget is adopted, all amendments must be approved by the Township Board.

The Township's approved budgets were adopted at the activity level for the General Fund and the function level for Special Revenue Funds. However, for control purposes all the budgets are maintained at the object (account) level.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (cont'd):

During the year the Township incurred expenditures in the General and Special Revenue Fund, which was in excess of the amount appropriated as follows:

Excess of Expenditures Over Appropriations –

<u>Fund Type/Function/Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund –			
General Government –			
Legislative	\$ 9,646	\$ 13,041	\$ 3,395
Supervisor	50,400	51,834	1,434
Treasurer	64,429	68,455	4,026
Election	4,721	9,103	4,382
Assessor	67,010	74,558	7,548
Township Hall	65,000	67,525	2,525
Public Safety –			
Law Enforcement	227,000	245,740	18,740
Emergency Management Services	-	37,268	37,268
Planning Commission	50,550	61,255	10,705
Public Works –			
Street Lighting	2,700	2,931	231
Health and Welfare –			
Community Action Program	19,600	31,574	11,974
Recreation and Culture –			
Township Park	27,415	30,611	3,196
Transfers Out	-	1,027,466	1,027,466
Road Fund –			
Public Works	292,066	311,075	19,009
Fire Fund –			
Public Safety	334,500	414,366	79,866
Monitor Fee Fund –			
Public Safety	-	6,073	6,073

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2006, the carrying amount of the deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Total</u>
Deposits -				
Petty Cash	\$ 650	\$ -	\$ -	\$ 650
Deposits with Financial Institutions	<u>2,602,168</u>	<u>174,568</u>	<u>623,455</u>	<u>3,400,191</u>
Total Deposits	<u>2,602,818</u>	<u>174,568</u>	<u>623,455</u>	<u>3,400,841</u>
Investments -				
Investment Trust Funds	5,199,631	-	-	5,199,631
U.S. Treasury Securities	<u>2,034,222</u>	<u>-</u>	<u>-</u>	<u>2,034,222</u>
Total Investments	<u>7,233,853</u>	<u>-</u>	<u>-</u>	<u>7,233,853</u>
Grand Total	<u>\$ 9,836,671</u>	<u>\$ 174,568</u>	<u>\$ 623,455</u>	<u>\$10,634,694</u>

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Total</u>
Reconciliation To Combined Balance Sheet				
Reported as Cash and Cash Equivalents -				
Petty Cash	\$ 650	\$ -	\$ -	\$ 650
Deposits with Financial Institutions	1,491,766	174,568	523,455	2,189,789
Investment Trust Funds	<u>5,199,631</u>	<u>-</u>	<u>-</u>	<u>5,199,631</u>
Total Cash and Cash Equivalents	<u>6,692,047</u>	<u>174,568</u>	<u>523,455</u>	<u>7,390,070</u>
Reported as Investments-				
Deposits with Financial Institutions	1,110,402	-	100,000	1,210,402
U.S. Treasury and Agencies	<u>2,034,222</u>	<u>-</u>	<u>-</u>	<u>2,034,222</u>
Total Investments	<u>3,144,624</u>	<u>-</u>	<u>100,000</u>	<u>3,244,624</u>
Grand Total- Combined Balance Sheet	<u>\$ 9,836,671</u>	<u>\$ 174,568</u>	<u>\$ 623,455</u>	<u>\$10,634,694</u>

The Township's investment policy primary objectives are foremost safety of principle, followed by diversification, maintaining adequate liquidity and return on investment. The Township Treasurer is responsible for the investing of the Township funds in accordance with the Township investment policy.

Deposits –

The Township's investment policy and Act 217 PA 1982, as amended, authorizes the Township to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

Custodial credit risk-Deposits-is the risk that in the event of a bank failure, the Township's deposit may not be returned. As an indication of the level of deposit custodial credit risk assumed by the Township, as of June 30, 2006, the bank balance of the Township's deposits was \$2,987,392 of which \$652,909 was FDIC insured with the remaining balance of \$2,334,483 uninsured and uncollateralized. In addition the component unit had a bank balance of \$630,622 of which \$300,114 was covered by FDIC insurance, with the remaining balance uninsured and uncollateralized.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Investments -

Act 20 PA 1994 as amended by Act 1997 PA 1999 and the Township investment policy authorizes the Township to invest surplus funds in mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

At June 30, 2006, the Township was invested in the following types of investments:

	<u>Amount</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Average Days to Maturity</u>
Comerica Investment Trust Fund	\$ 3,585,013	Not Rated	N/A	20
LaSalle Bank Investment Trust Fund	1,614,618	AAAm	S & P's	14
U.S. Treasury Securities	2,034,222	AAA	S & P's	N/A

The investment trust funds invest primarily in repurchase agreements, commercial paper, and U.S. Treasury securities.

Custodial credit risk – is the risk that in the event of a failure of the counterparty, the Township may not be able to recover the value of its investments that are in the possession of another party. The Township's investment policy does not address custodial credit risk.

Interest rate risk – is the risk that the market value of securities in the Township's portfolio will fall due to changes in market interest increases. The Township policy indicates the portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycle, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Credit risk – is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and the Township investment policy limits the type of investments the Township can purchase.

Concentration of credit risk – is the risk of loss attributed to the magnitude of the Township's investments in a single issuer. The Township's investment policy specifies that investments shall be diversified by security type and institution in order that potential losses on individual securities does not exceed the income generated from the remainder of the portfolio.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 4 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2006 was as follows:

	July 1, 2005			June 30, 2006
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,241,173	\$ -	\$ -	\$ 1,241,173
Construction in progress	<u>9,449</u>	<u>243,127</u>	<u>-</u>	<u>252,576</u>
Total capital assets not being depreciated	<u>1,250,622</u>	<u>243,127</u>	<u>-</u>	<u>1,493,749</u>
Capital assets, being depreciated:				
Land improvements	1,457,479	12,285	-	1,469,764
Buildings	1,553,120	-	-	1,553,120
Equipment	496,629	135,767	72,800	559,596
Vehicles	<u>846,982</u>	<u>-</u>	<u>28,122</u>	<u>818,860</u>
Total capital assets being depreciated	4,354,210	148,052	100,922	4,401,340
Less accumulated depreciation	<u>(1,697,265)</u>	<u>(191,697)</u>	<u>(81,785)</u>	<u>(1,807,177)</u>
Total capital assets being depreciated, net	<u>2,656,945</u>	<u>(43,645)</u>	<u>19,137</u>	<u>2,594,163</u>
Governmental activities capital assets, net	<u>\$ 3,907,567</u>	<u>\$ 199,482</u>	<u>\$ 19,137</u>	<u>\$ 4,087,912</u>
Business Type Activities:				
Capital assets, not being depreciated:				
Construction in progress	<u>\$ 749,993</u>	<u>\$ 219,645</u>	<u>\$ -</u>	<u>\$ 969,638</u>
Capital assets, being depreciated:				
Buildings	190,139	-	-	190,139
Water mains and extensions	5,755,953	104,412	-	5,860,365
Equipment	<u>67,888</u>	<u>80,812</u>	<u>28,122</u>	<u>120,578</u>
Total capital assets being depreciated	6,013,980	185,224	28,122	6,171,082
Less accumulated depreciation	<u>(1,335,109)</u>	<u>(138,077)</u>	<u>(28,122)</u>	<u>(1,445,064)</u>
Total capital assets being depreciated, net	<u>4,678,871</u>	<u>47,147</u>	<u>-</u>	<u>4,726,018</u>
Business activities capital assets, net	<u>\$5,428,864</u>	<u>\$ 266,792</u>	<u>\$ -</u>	<u>\$ 5,695,656</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 34,407
Public Safety	92,082
Public Works	8,983
Recreation and Cultural	<u>56,225</u>
Total depreciation expense-governmental activities	<u>\$ 191,697</u>
Business-type activities:	
Water and Sewer	<u>\$ 138,077</u>

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 4 – CAPITAL ASSETS – (cont'd):

Component Unit -

Following is a summary of changes in general fixed assets of the Library, a Discretely Presented Component Unit, for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Disposals	Balance June 30, 2006
Buildings and improvements	\$ 137,152	\$ -	\$ -	\$ 137,152
Furniture and equipment	23,178	5,970	-	29,148
Library books and materials	<u>165,565</u>	<u>27,312</u>	<u>28,962</u>	<u>163,915</u>
	325,895	33,282	28,962	330,215
Accumulated depreciation	(143,572)	(27,192)	(28,962)	(141,802)
	<u>\$ 182,323</u>	<u>\$ 6,090</u>	<u>\$ -</u>	<u>\$ 188,413</u>

NOTE 5 - LONG-TERM DEBT:

Primary Government -

The following is a summary of changes in the long-term debt (including current portion) of the Township for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
<u>Enterprise Fund:</u>					
<u>Bonds Payable -</u>					
Water Supply System 13	\$ 435,000	-	\$ 140,000	\$ 295,000	\$ 145,000
Water Supply System 14	<u>705,000</u>	<u>-</u>	<u>85,000</u>	<u>620,000</u>	<u>90,000</u>
	<u>\$ 1,140,000</u>	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ 915,000</u>	<u>\$ 235,000</u>

Significant details regarding outstanding long-term debt are presented below:

Enterprise Fund:

Contracts/Bonds Payable -

\$1,590,000 Macomb County Water Supply System 13 (Lenox Township Section 2) Bonds, dated March 1, 1994, due in annual installments ranging from \$145,000 to \$150,000 through May 1, 2008, with interest of 5.10 percent payable semi-annually \$ 295,000

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5 - LONG-TERM DEBT - (cont'd):

\$1,050,000 Macomb County Water Supply 14 (Lenox Township Section 3) Bonds, dated March 1, 1997, due in annual installments beginning November 1, 2001, ranging from \$90,000 to \$120,000 through November 1, 2011. Interest is payable semi-annually with rates ranging from 4.80 to 5.30 percent

620,000

\$ 915,000

The annual requirements to amortize bonds outstanding at June 30, 2006 are as follows:

	<u>System 13</u>		<u>System 14</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 145,000	\$ 15,045	\$ 90,000	\$ 29,250
2008	150,000	7,650	95,000	24,763
2009	-	-	100,000	19,935
2010	-	-	105,000	14,757
2011	-	-	110,000	9,220
2012	-	-	120,000	3,180
	<u>\$ 295,000</u>	<u>\$ 22,695</u>	<u>\$ 620,000</u>	<u>\$ 101,105</u>

NOTE 6 - INTERFUND RECEIVABLE AND PAYABLE BALANCES:

The composition of interfund balances as of June 30, 2006:

Due to/From Other Funds –

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Fund	\$ 138,467
	PTA Revenue Fund	363,713
	Water & Sewage Disposal Fund	54,775
	Trust & Agency Fund	<u>1,918</u>
		558,873
Road Millage Fund	General Fund	117
Liquor Law Enforcement Fund	General Fund	<u>10,163</u>
		<u>\$ 569,153</u>

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 6 - INTERFUND RECEIVABLE AND PAYABLE BALANCES - (cont'd):

Advance To/From Other Funds -

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Fund	\$ 58,650
	Water & Sewage Disposal Fund	<u>1,137,605</u>
		<u>\$ 1,196,255</u>

The long-term advances were made to finance the purchase of equipment and construct utilities systems.

Transfers From/To Other Funds –

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
PTA Revenue Fund	General Fund	\$ 1,027,466
Water and Sewer Disposal Fund	PTA Revenue Fund	<u>205,812</u>
		<u>\$ 1,233,278</u>

NOTE 7 - COMMUNITY DEVELOPMENT BLOCK GRANT:

During the year, the Township was appropriated \$27,142 Community Development Block Grant (CDBG) funding through Macomb County and expended \$52,073 of current and previously appropriated CDBG funding. At June 30, 2006, the Township has \$14,656 available for future CDBG projects.

Macomb County pays CDBG project providers directly. The County maintains administrative control over the funding, monitors the programs and reports the programs in the County's Single Audit report.

NOTE 8 - PRINCIPAL TAXPAYERS AND UTILITY CUSTOMERS:

There are four (4) users that provide a significant portion of the utility (water and sewer) revenue. The revenues provided, and the approximate percentage of the utility system revenues for the year ended June 30, 2006 are summarized below:

	<u>Utility Charges</u>	
Macomb County		
Correctional Facility	\$ 271,213	46.7 %
Americana Estate	117,782	20.2
Quail Run	71,258	12.3
Millstone Pond	<u>56,130</u>	<u>9.7</u>
	<u>\$ 516,383</u>	<u>88.9 %</u>

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 9 – SUMMARY OF INSPECTION DEPARTMENT:

The following schedule presents the Township's inspection department revenues and expenditures in accordance with Public Act 245 of 1999:

Revenues:

Building Permits	\$ 31,096
Electrical Permits	13,848
Mechanical Permits	9,365
Plumbing Permits	<u>6,287</u>
	<u>60,596</u>

Expenditures:

Salaries and Wages	96,472
Operating Supplies	1,213
Transportation	2,102
Communications	1,524
Education and Training	245
Miscellaneous	<u>1,316</u>
	<u>102,872</u>

Excess of revenues over (under) expenditures \$ (42,276)

Note: The above expenditures do not include all overhead expenditures.

NOTE 10 – RESERVED/DESIGNATED FUND BALANCE:

Reserved Fund Balance –

Fund Balance has been reserved in various governmental funds to indicate the portion of Fund Balance not available, but reserved for a specific purpose. The following is a summary of Reserved Fund Balance at June 30, 2006:

General Fund –	
Advance from other funds	\$ 1,196,255
Prepaid expenditure	<u>1,861</u>
	1,198,116
Fire Fund –	
Prepaid expenditure	20,806
Chapter 20 Drain –	
Debt Retirement	<u>45,460</u>
	<u>\$ 1,264,382</u>

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 10 – RESERVED/DESIGNATED FUND BALANCE:

Designated Fund Balance –

The Township Board has the power to designate or set aside all or a portion of unreserved fund balance for specific purposes. The following is a summary of the Board's designations at June 30, 2006:

New Township Hall	\$ 4,400,000
Gratiot Sewer Project	350,000
Recreation Fund	80,000
Long-term Investment	500,000
Senior Citizen	20,000
Contingencies	<u>500,000</u>
	<u>\$ 5,850,000</u>

NOTE 11 - COMMITMENTS:

The Township has committed to the following contracts for the Township Hall at June 30, 2006. (These commitments do not include contracts which have been agreed to or change orders made after June 30, 2006.)

	<u>Contract</u> <u>Amount</u>	<u>Payments</u> <u>Through</u> <u>6/30/06</u>	<u>Remaining</u> <u>Balance</u> <u>6/30/06</u>
Mechanical & Electrical	\$ 33,600	\$ 3,360	\$ 30,240
Construction	4,383,000	-	4,383,000
Engineering	212,000	169,600	42,400

NOTE 12 - SUBSEQUENT EVENTS:

In September 2006, the Township entered into a contract with Macomb County for the issuance of \$15,200,000 in bonds to finance improvements to the Township's utility system. The bonds will be issued in the name of the County with the full faith and credit of the County. The Township is then assessed the principal and interest payments on the bonds. Principal payments on the bonds range from \$100,000 to \$900,000 through 2031.

The Township is also in the process of approving a contract with Macomb County for the issuance of \$3,380,000 in bonds to finance improvements to the sewer system.

REQUIRED SUPPLEMENTARY INFORMATION

LENOX TOWNSHIP
Macomb County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 360,000	\$ 333,835	\$ 333,573	\$ (262)
Licenses and permits	95,000	113,514	131,670	18,156
Intergovernmental -				
Federal/State	340,000	219,337	323,381	104,044
Local	-	19,147	74,454	55,307
Charges for services	33,000	32,015	25,243	(6,772)
Fines and forfeits	55,000	26,995	30,776	3,781
Interest and rent	42,000	57,457	94,500	37,043
Other	45,000	25,508	35,134	9,626
Total Revenues	<u>970,000</u>	<u>827,808</u>	<u>1,048,731</u>	<u>220,923</u>
Expenditures:				
General Government -				
Legislative	8,650	9,646	13,041	(3,395)
Supervisor	50,400	50,400	51,834	(1,434)
Clerk	62,700	57,400	56,322	1,078
Treasurer	59,000	64,429	68,455	(4,026)
Assessor	64,600	67,010	74,558	(7,548)
Board of Review	1,300	1,395	1,392	3
Election	14,600	4,721	9,103	(4,382)
Township Hall	80,500	65,000	67,525	(2,525)
General Services	219,000	399,240	286,246	112,994
	<u>560,750</u>	<u>719,241</u>	<u>628,476</u>	<u>90,765</u>
Public Safety -				
Law Enforcement	227,000	227,000	245,740	(18,740)
Emergency Management Services	-	-	37,268	(37,268)
Planning Commission	39,000	50,550	61,255	(10,705)
Building and Inspection	115,300	127,650	102,872	24,778
Zoning Board of Appeals	2,400	2,400	1,230	1,170
	<u>383,700</u>	<u>407,600</u>	<u>448,365</u>	<u>(40,765)</u>
Public Works -				
Street Lighting	2,700	2,700	2,931	(231)
Health and Welfare -				
Community Action Program	-	19,600	31,574	(11,974)
Recreation and Cultural -				
Township Park	-	27,415	30,611	(3,196)
Total Expenditures	<u>947,150</u>	<u>1,176,556</u>	<u>1,141,957</u>	<u>34,599</u>
Revenues over (under) expenditures	22,850	(348,748)	(93,226)	255,522
Other Financing Uses:				
Transfers out	-	-	(1,027,466)	(1,027,466)
Net Change in Fund Balance	22,850	(348,748)	(1,120,692)	(771,944)
Fund Balance at beginning of year	3,755,465	3,755,465	3,755,465	-
Fund Balance at end of year	<u>\$ 3,778,315</u>	<u>\$ 3,406,717</u>	<u>\$ 2,634,773</u>	<u>\$ (771,944)</u>

LENOX TOWNSHIP
Macomb County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 385,000	\$ 136,700	\$ 140,486	\$ 3,786
Interest	5,000	9,000	12,067	3,067
Total Revenues	<u>390,000</u>	<u>145,700</u>	<u>152,553</u>	<u>6,853</u>
Expenditures:				
Public Works	<u>320,000</u>	<u>292,066</u>	<u>311,075</u>	<u>(19,009)</u>
Revenues over (under) expenditures	70,000	(146,366)	(158,522)	(12,156)
Fund Balance at beginning of year	<u>455,917</u>	<u>455,917</u>	<u>455,917</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 525,917</u></u>	<u><u>\$ 309,551</u></u>	<u><u>\$ 297,395</u></u>	<u><u>\$(12,156)</u></u>

LENOX TOWNSHIP
Macomb County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FIRE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 525,000	\$ 487,284	\$ 491,731	\$ 4,447
Intergovernmental - federal	-	-	121,375	121,375
Interest	15,000	15,500	25,221	9,721
Other	-	25,960	19,172	(6,788)
Total Revenues	<u>540,000</u>	<u>528,744</u>	<u>657,499</u>	<u>128,755</u>
Expenditures:				
Public Safety	<u>334,500</u>	<u>334,500</u>	<u>414,366</u>	<u>(79,866)</u>
Revenues over expenditures	<u>205,500</u>	<u>194,244</u>	<u>243,133</u>	<u>48,889</u>
Other Financing Sources:				
Proceeds from sale of equipment	-	-	10,102	10,102
Transfer in	-	70,000	-	(70,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>70,000</u>	<u>10,102</u>	<u>(59,898)</u>
Net Change in Fund Balance	205,500	264,244	253,235	(11,009)
Fund Balance at beginning of year	<u>538,973</u>	<u>538,973</u>	<u>538,973</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 744,473</u>	<u>\$ 803,217</u>	<u>\$ 792,208</u>	<u>\$(11,009)</u>

LENOX TOWNSHIP
Macomb County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - PTA SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Interest	\$ 45,000	\$ 45,000	\$ 122,751	\$ 77,751
Other	3,361,277	3,361,277	3,588,391	227,114
Total Revenues	<u>3,406,277</u>	<u>3,406,277</u>	<u>3,711,142</u>	<u>304,865</u>
Expenditures:				
General Government	770,000	770,000	229,827	540,173
Public Safety	190,000	190,000	179,005	10,995
Public Works	215,000	215,000	183,562	31,438
Recreation and Cultural	80,000	80,000	-	80,000
	<u>1,255,000</u>	<u>1,255,000</u>	<u>592,394</u>	<u>662,606</u>
Revenues over expenditures	<u>2,151,277</u>	<u>2,151,277</u>	<u>3,118,748</u>	<u>967,471</u>
Other Financing Sources (Uses):				
Transfer in	-	-	1,027,466	1,027,466
Transfer out	(1,000,000)	(1,000,000)	(205,812)	794,188
Total Other Financing Sources (Uses)	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>821,654</u>	<u>1,821,654</u>
Net Change in Fund Balance	1,151,277	1,151,277	3,940,402	2,789,125
Fund Balance at beginning of year	<u>3,351,828</u>	<u>3,351,828</u>	<u>3,351,828</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 4,503,105</u>	<u>\$ 4,503,105</u>	<u>\$ 7,292,230</u>	<u>\$ 2,789,125</u>

OTHER SUPPLEMENTARY INFORMATION

LENOX TOWNSHIP
Macomb County, Michigan

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006

	Special Revenue Funds			Debt Service Fund	
	Liquor Law Enforcement	Monitoring Fee	Environmental Protection	Chapter 20 Drain	Total
ASSETS					
Cash and cash equivalents	\$ -	\$ 4,311	\$ 5,670	\$ -	\$ 9,981
Investments	-	-	-	45,223	45,223
Interest receivable	-	-	-	237	237
Due from other funds	10,163	-	-	-	10,163
Total Assets	<u>\$ 10,163</u>	<u>\$ 4,311</u>	<u>\$ 5,670</u>	<u>\$ 45,460</u>	<u>\$ 65,604</u>
FUND BALANCE					
Reserved for Debt Retirement	\$ -	\$ -	\$ -	\$ 45,460	\$ 45,460
Unreserved	10,163	4,311	5,670	-	20,144
Total Fund Balance	<u>10,163</u>	<u>4,311</u>	<u>5,670</u>	<u>45,460</u>	<u>65,604</u>
Total Liabilities and Fund Balance	<u>\$ 10,163</u>	<u>\$ 4,311</u>	<u>\$ 5,670</u>	<u>\$ 45,460</u>	<u>\$ 65,604</u>

LENOX TOWNSHIP
Macomb County, Michigan

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue Funds			Debt Service Fund	
	Liquor Law Enforcement	Monitoring Fee	Environmental Protection	Chapter 20 Drain	Total
Revenues:					
Intergovernmental -					
Federal/State	\$ 1,650	\$ -	\$ -	\$ -	\$ 1,650
Charges for services	-	9,340	-	-	9,340
Interest	-	-	-	1,923	1,923
Total Revenues	<u>1,650</u>	<u>9,340</u>	<u>-</u>	<u>1,923</u>	<u>12,913</u>
Expenditures:					
Public Safety	<u>-</u>	<u>6,073</u>	<u>-</u>	<u>-</u>	<u>6,073</u>
Revenues over expenditures	1,650	3,267	-	1,923	6,840
Fund Balances at beginning of year	<u>8,513</u>	<u>1,044</u>	<u>5,670</u>	<u>43,537</u>	<u>58,764</u>
Fund Balances at end of year	<u>\$ 10,163</u>	<u>\$ 4,311</u>	<u>\$ 5,670</u>	<u>\$ 45,460</u>	<u>\$ 65,604</u>

LENOX TOWNSHIP
Macomb County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
LIQUOR LAW ENFORCEMENT FUND				
Revenues:				
Intergovernmental - State	\$ 1,650	\$ 1,650	\$ 1,650	\$ -
Expenditures:				
Public Safety	1,600	1,600	-	1,600
Revenues over expenditures	50	50	1,650	1,600
Fund Balance at beginning of year	8,513	8,513	8,513	-
Fund Balance at end of year	<u>\$ 8,563</u>	<u>\$ 8,563</u>	<u>\$ 10,163</u>	<u>\$ 1,600</u>
MONITORING FEE FUND				
Revenues:				
Charges for Services	\$ -	\$ -	\$ 9,340	\$ 9,340
Expenditures:				
Public Safety	-	-	6,073	(6,073)
Revenues over expenditures	-	-	3,267	3,267
Fund Balance at beginning of year	1,044	1,044	1,044	-
Fund Balance at end of year	<u>\$ 1,044</u>	<u>\$ 1,044</u>	<u>\$ 4,311</u>	<u>\$ 3,267</u>
ENVIRONMENTAL PROTECTION FUND				
Revenues:				
Interest	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Public Safety	-	-	-	-
Revenues over expenditures	-	-	-	-
Fund Balance at beginning of year	5,670	5,670	5,670	-
Fund Balance at end of year	<u>\$ 5,670</u>	<u>\$ 5,670</u>	<u>\$ 5,670</u>	<u>\$ -</u>

FIDUCIARY FUNDS

LENOX TOWNSHIP
Macomb County, Michigan

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 117,431	\$ 7,840,277	\$ 7,783,140	\$ 174,568
Liabilities:				
Due to other funds	\$ 177	\$ 1,110,297	\$ 1,108,556	\$ 1,918
Due to other governmental units	-	6,395,925	6,395,925	-
Due to individuals and agencies	117,254	458,860	403,464	172,650
Total Liabilities	\$ 117,431	\$ 7,965,082	\$ 7,907,945	\$ 174,568

AGENCY FUND

Assets:				
Cash and cash equivalents	\$ 117,431	\$ 428,457	\$ 371,320	\$ 174,568
Liabilities:				
Due to other funds	\$ 177	\$ 94,402	\$ 92,661	\$ 1,918
Due to individuals and agencies	117,254	458,860	403,464	172,650
Total Liabilities	\$ 117,431	\$ 553,262	\$ 496,125	\$ 174,568

TAX FUND

Assets:				
Cash and cash equivalents	\$ -	\$ 7,411,820	\$ 7,411,820	\$ -
Liabilities:				
Due to other funds	\$ -	\$ 1,015,895	\$ 1,015,895	\$ -
Due to other governmental units	-	6,395,925	6,395,925	-
Total Liabilities	\$ -	\$ 7,411,820	\$ 7,411,820	\$ -

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Supervisor and Members
of the Township Board
Lenox Township
Macomb County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lenox Township, Michigan, as of and for the year ended June 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Lenox Township, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lenox Township, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management and the Township Board, and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants

Stewart, Beavens & Whipple

October 16, 2006

MANAGEMENT LETTER

To the Supervisor and Members
of the Township Board
Lenox Township
Macomb County, Michigan

As you know, we have recently completed our audit of the basic financial statements of Lenox Township, Michigan as of and for the year ended June 30, 2006. In connection with the audit, we believe that certain changes in your accounting procedures would be helpful in further improving management's control and the operational efficiency of the Township's recordkeeping system. These suggestions are a result of our evaluation of internal accounting control for audit purposes and our discussions with management. As noted in the **Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**, dated October 16, 2006, the conditions described below are not considered reportable conditions or material weaknesses.

Controls could be improved over journal entries.

Currently journal entries are completed by two different people, and a standard book of numbered entries is not maintained. Furthermore, journal entries are currently not approved.

We recommend journal entries be assigned a number, filed in a central location, and approved to increase controls over the process.

The Township needs to obtain a certification from one financial institution.

It was noted that the Township did not have the required bank certification from Belle River Bank at the date of the audit. We recommend that the certification be received as soon as possible.

I-9's should be maintained for all employees.

Employers are required to obtain and keep on file Form I-9, Employment Eligibility Verification, for all employees hired after November 6, 1986. During the audit we noted that the Form I-9 had not been completed for all employees. We recommend the Form I-9 be completed at the time of hire for all new employees, and current payroll files be reviewed.

This report is intended solely for the information and use of management, the Township Board, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss these conditions with you and to provide assistance in the implementation of improvements.

Sincerely,



October 16, 2006